

## **Rep. Gosselin's Bill to Cap Sales Tax Collection on Gasoline**

- Rep. Robert Gosselin introduced HB 5211 (a re-introduction of HB 4204) to cap Sales Tax collection on gasoline at the price of \$2.30 per/gallon.
- The collection of Michigan Sales Tax on gasoline would not exceed 14 cents per gallon.
- 5,000,000,000 gallons of gasoline are sold annually in Michigan.
- You pay State Sales Tax on gasoline on top of federal gas taxes. Federal Gas Tax: 18 cents/gallon.
- The majority of Sales Tax revenues from gasoline do not directly fund transportation projects like roads and bridges.
- Under current tax law, Michigan residents pay over 50 cents in taxes for every \$2.30 gallon of gas.

For more information, Contact Representative Gosselin's  
Lansing Office at (517) 373-1789

## HB 5211

### How to calculate the “pump price” of a gallon of gasoline.

The bill would exempt from sales tax the amount of the price of a gallon of gasoline that exceeds a pump price of \$2.30 per gallon. “Pump price” is what the consumer pays, and is the “bottom line” figure that he focuses on, but it is not defined in law.

The Sales Tax Act defines the “price” of a gallon of gasoline as the retail price before any taxes, plus the 18.4 cent federal fuel tax. This is the amount that is multiplied by the 6-percent sales tax. After the sales tax is added, Michigan’s 19 cent motor fuel tax is added.

Here is how that adds up to a “pump price ” of \$2.30:

Retail gas price before taxes:	\$1.806
<u>Federal fuel tax:</u>	<u>.184</u>
subtotal:	\$1.99 per gallon ( <i>This is the Sales Price.</i> )
 <u>Apply 6% sales tax:</u>	 <u>.1194</u>
subtotal:	\$2.109
 <u>Add 19 cent Michigan gas tax</u>	 <u>.19</u>

Grand Total: \$2.299 per gallon  
(*This is the Pump Price that triggers the bill’s sales tax exemption.*)

Given all these definitions and arithmetic, the correct price to insert into the legislation to accomplish the bill’s purpose is a “sales price” of \$1.99 per gallon.